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Central Intelligence Agency

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DIRECTORATE OF INTELLIGENCE

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New Zealand: Muldoon Goes to the Polls

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Summary

Prime Minister Muldoon faces major obstacles in his bid for a fourth term, in an election which at this point is too close to call. The opposition Labor Party outranks his governing National Party in public opinion polls by the largest margin in many months. Also, the new rightist New Zealand Party, despite its waning appeal to the public, retains a potential for taking enough votes from National to hand the election to Labor.

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Muldoon, however, eclipses his Labor rival, David Lange, as the public's preference as Prime Minister, and this may help the prospects of other National Party members standing for Parliament. Also, the timing of the election--during a temporary economic recovery--is favorable for Muldoon.

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If Labor's opinion poll advantage holds until election day, it could win a plurality of votes, if not a majority in the 95-seat New Zealand parliament. Labor had more votes in the last election in 1981, yet National remained in office with a slim majority of parliamentary seats.

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Muldoon's reelection would maintain New Zealand's close ties to the United States. Under Labor, however, the government would ban port

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calls by US naval vessels, press for renegotiation of ANZUS, and promote a South Pacific nuclear-free zone inimical to US security interests.

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A Forced Election

The election on 14 July promises to be close. The Muldoon government's record parliamentary majority when it came into office in 1975 was trimmed in two succeeding elections to a margin of one in the just dissolved parliament. The election--which had been expected in November--was triggered by two National Party parliamentary backbenchers who left party ranks in mid-June to vote with the opposition Labor Party on a bill to declare New Zealand a nuclear-free zone, a designation that would undercut the country's commitment to its alliance with the United States and Australia (ANZUS). The alliance has been central to New Zealand's foreign policy since World War II and has been particularly emphasized by Prime Minister Muldoon. The government defeated the declaration only with the votes of two independents. Knowing he could not depend on their continuing support on other issues, Muldoon opted to appeal to the electorate.

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Muldoon continues to far outpace his Labor rival, David Lange, as the public's preference as Prime Minister, and a temporary upswing in the economy is also in his favor. But Muldoon faces some problems. Polls in recent months show National and Labor alternating in the lead, and differences have been well within the polls' customary margin of error. The latest poll in mid-June gave Labor as the preference of 46 percent of the voters compared with 39 percent for National. This is the largest lead either party has had in many months.

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Muldoon's chances for winning a fourth term as Prime Minister are further complicated by a possible fragmentation of the conservative support that has sustained him in office for nearly nine years. Even though the threat from the new rightist New Zealand Party seems to have eased with a slide in its public standing, Muldoon cannot ignore the possibility that the new party could drain enough votes from his party to hand the election to Labor. Muldoon thus is waging an election campaign against both the traditional opposition, Labor, and the New Zealand Party.

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Focus on the Economy

Muldoon's future rests with how New Zealanders assess his handling of the country's faltering economy. Muldoon can claim considerable success--given the magnitude of the problems he has dealt with--but unemployment remains a major vulnerability for him.

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Polls show that about one-half of all New Zealanders view unemployment as the most serious national problem, far more than any other issue. Late last year it rose to a record 6 percent, a high level in a country with a record of full employment. Latest figures show unemployment has slipped to 4.7 percent, though the government's method of tallying makes this figure somewhat suspect. The Labor Party charges that the government seriously understates the unemployment problem by counting as jobless only those who register for unemployment benefits. We agree with this criticism. Categories of workers not eligible for jobless payments--such as married women and youths--are far underrepresented because they have little incentive to register.

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A particular goal for Muldoon during his nearly nine years in office has been finding markets for New Zealand's narrow range of agricultural exports--wool, meat, and dairy products--which account for nearly 50 percent of exports. Among his achievements, he can point out to voters that in recent years he has persuaded the United States--New Zealand's largest export market--to consider New Zealand concerns when disposing of surplus butter on the world market and to maintain purchases of New Zealand casein.

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Another bright spot is his effort to cut inflation. A wage-price freeze imposed by Muldoon from June 1982 through February 1984 ended nine consecutive years of double-digit inflation. Consumer prices rose less than 4 percent in 1983, compared with 16 percent in 1982.

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The government enters the election fray in the midst of an upswing in economic activity, suggesting that an early election will be to Muldoon's advantage. In addition to improved employment rates, manufacturing production and retail sales are booming. Government officials privately admit that the economic upturn is temporary. Muldoon sees the economy slipping later on--prices, for example, are edging up in the wake of the end of the price-wage freeze last February. Other negative trends that might have surfaced before a November election--an unpopular credit squeeze or greater unemployment--are, however, now not likely to become evident until after the election.

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The early election also relieves the government of the necessity of presenting what was certain to be an unpopular austerity budget before the election. Given the large government deficit and its debt financing problems, the Prime Minister would have found it difficult to offer voters much in the way of election year enticements. Now the August budget--whoever wins the election--can incorporate necessary austerity measures with less regard for public reaction.

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Muldoon has also been stern in handling recent labor unrest, an approach that sets well with the New Zealand electorate at large. Finally, the sudden call to the polls left only two days

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for registration of voters who had let their registration lapse--a situation that probably disenfranchised more Laborites that National supporters. 25X1

A Threat From the Right

For nearly a decade, Muldoon has dominated New Zealand politics to an unprecedented degree. 25X6 25X6 they have continued to vote for this "man they love to hate." Whatever New Zealanders see as his personal faults, he has projected an image of decisive leadership and of never shrinking from unpopular decisions. In his frequent foreign travels, he has pushed New Zealand into the international scene. Most New Zealanders probably take pride in this even while carping that Muldoon's junkets cause him to neglect domestic problems.* 25X6 25X1

Despite Labor's current lead in the polls, Muldoon finds encouragement for his reelection prospects in the continuing disarray and ideological divisions in the Labor Party. Any benefit to Muldoon from Labor's troubles is diminished, however, by the growth of the new and aggressive free-enterprise New Zealand Party, which appeals strongly to some segments of Muldoon's traditional backers. Although this appeal seems to have peaked, Muldoon cannot afford to ignore it. 25X1

The New Zealand Party was launched in August 1983 by millionaire real estate speculator Bob Jones as an alternative to the "socialist and interventionist" policies of the National party government under Muldoon. Jones campaigned for and provided money to Muldoon in his sweep into office in 1975. He subsequently fell out with Muldoon over what he saw as the Prime Minister's interference in the economy, particularly the "think big" approach that favors major government involvement in energy projects. The National Party claimed that these programs--by supplementing reliance on agriculture with exploitation of rich natural gas reserves and abundant hydroelectric power--would reduce New Zealand's dependence on imported oil. Jones believed the task should be left to private developers. 25X1

The new party was initially dismissed by both National and Labor Party leaders as a party of the rich that would have little popular appeal. The new party confounded its critics, however, by eclipsing the established third party, the Social Credit Party, within only a few months. According to public opinion polls, it garnered support from as much as 16 percent of the

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electorate. Although it has slipped now to a 6-percent support rating, the new party could still drain enough votes from National to hand the election to Labor. 25X1

Social Credit is no longer a viable opponent. Although it got 21 percent of the vote in the last elections in 1981 and won two parliamentary seats, it has been hurt by its image as a single-issue party focused on the notion of easy credit and has slipped to as low as 2 percent in its public approval rating. 25X1 25X1

The drawing power of the New Zealand Party's free enterprise message may have been cut by its advocacy of withdrawal from ANZUS and a cutback in social programs, both of which go against the grain of the majority of New Zealanders. Most New Zealanders value their country's security ties to the United States and Australia, and these feelings are most pronounced among the more conservative voters who are the New Zealand Party's principal target. There is also a deepseated and widespread public attachment to the comprehensive program of social welfare benefits. The New Zealand Party also may win few votes from its advocacy of a South Pacific nuclear-free zone. Fear of nuclear contamination spans the political spectrum in New Zealand but is most prevalent among Labor Party supporters. The New Zealand Party can attract few Laborites on the antinuclear issue alone, however, since the Labor Party has established its credentials on this score by long advocating a South Pacific nuclear-free zone and opposition to port calls by nuclear-powered US naval ships. 25X1

In addition to these liabilities, we question whether the New Zealand Party's professed supporters will support it once inside the voting booth. Although it will probably win few seats of its own, the New Zealand Party nevertheless could get enough votes to push some marginal seats of the two major parties into the other party's win column. We believe that National would be the bigger loser in this respect. Muldoon thus must campaign against the new party as well as Labor. 25X1

An Overconfident Labor

Whether the New Zealand Party proves the spoiler will depend to a large degree on whether the Labor Party can resolve its own problems. Party leader Lange, in a speech in Washington in January 1984, suggested that Labor could stand back and watch the opposing conservative parties cancel out one another's vote, leaving Labor to slide into office. 25X1

Labor, however, may be banking too heavily on this assumption. When the moderate Lange replaced the discredited Bill Rowling in February 1983, Laborites were euphoric. Now many of these former supporters call Lange "stumbling" and "mediocre." Lange's public standing as preferred Prime Minister slipped earlier this year to 13 percent, less than one-half his

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standing when he took the party helm. Although the latest polls in mid-June show his public support has recovered to 18 percent, Muldoon still far outranks him as preferred Prime Minister with the backing of 33 percent of those polled.

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In addition, squabbling between Labor's moderate and left wings has caused it to neglect policy formulation. It had, for example, not produced an economic platform by the start of the campaign, even though Labor sees economic issues as the main ones in the campaign. The party has thus been unable to exploit the dissatisfaction with Muldoon's economic management--a role taken up by the New Zealand Party. The brevity of the campaign would in any case offer little time for selling an economic program to the electorate. Labor may simply focus on what it sees as an easy target, the National government's understating the level of unemployment.

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If Labor's opinion poll standings hold until election day, it could win a plurality of votes. A plurality does not necessarily translate into majority control of the 95-seat New Zealand parliament, however. Labor slightly bettered National in the number of votes in the last elections in 1981, yet National remained in office with a slim majority.

Should Labor Win

Muldoon's reelection would mean a continuation of New Zealand's strong ties with the United States. The relationship has, in fact, been revitalized under Muldoon's stewardship, although Muldoon is a sometimes sharply questioning ally. He views US foreign policy as a legitimate, vital concern of his government and expects the United States to accept his well-meaning criticism from time to time.

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Election of a Labor government would have serious implications for New Zealand's defense cooperation with the United States. The last Labor government (1972-1975) closed New Zealand ports to US nuclear-powered warships, and the current Labor leadership has served notice that it would reimpose the ban. The party's international affairs platform also proposes to ban all ship visits--even conventionally powered ones--unless the United States abandons its practice of neither confirming nor denying the presence aboard of nuclear weapons.

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Labor's foreign policy platform also calls for renegotiation of the ANZUS alliance to convert it into a non-nuclear relationship. Should the United States not accept this proposal, Labor has made it clear that the onus for weakening or dismantling the alliance would rest on Washington.

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Several moderate Labor members of parliament have said that--despite its rhetoric--Labor once in office would remain firmly committed to ANZUS, and senior New Zealand Foreign Ministry officials have said that some sort of compromise over

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ship visits would evolve. We are not so sanguine. Lange has privately assured US officials that he is personally satisfied that nuclear propulsion is safe and that his reservations are centered on nuclear weaponry. However, Lange clearly intimated in a speech in Washington in January 1984 that as Prime Minister he would be obliged to abide by prevailing sentiment in his party against visits by nuclear-powered vessels, whether they were nuclear armed or not. Indeed, the plank in Labor's campaign platform against port calls apparently marked the end of any effort by Lange to persuade the party to accept a distinction between nuclear-powered and nuclear-armed ships.

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Labor would project its antinuclear stance into the South Pacific, where it would advocate a nuclear-free zone, as did the last Labor government. This idea, growing out of concern over French nuclear testing near Tahiti, would--if carried to its limits of a total nuclear ban--inhibit movement in the South Pacific of the US naval fleet, now 40 percent nuclear-powered.* Should Labor come into office, it would probably push its nuclear-free zone proposal at the annual meeting in August of the South Pacific Forum--the organization of the South Pacific island nations plus Australia and New Zealand.

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*The Labor government in Australia presented a proposal for a nuclear-free zone at the 1983 South Pacific Forum meeting. It failed to win a consensus but will be considered again in this year's meeting. Unlike the New Zealand formulation, it specifically caters to US security interests by providing for unimpeded transit for nuclear-powered or nuclear-armed naval vessels and military aircraft.

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